VZCZCXRO7139 PP RUEHFK RUEHKSO RUEHNAG RUEHNH DE RUEHKO #3052/01 1560104 ZNR UUUUU ZZH P 050104Z JUN 06 FM AMEMBASSY TOKYO TO RUEHC/SECSTATE WASHDC PRIORITY 2798 INFO RUEKJCS/SECDEF WASHDC PRIORITY RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY RUEAWJA/USDOJ WASHDC PRIORITY RULSDMK/USDOT WASHDC PRIORITY RUCPDOC/USDOC WASHDC PRIORITY RUEAIIA/CIA WASHDC PRIORITY RUEKJCS/JOINT STAFF WASHDC//J5// RHHMUNA/HQ USPACOM HONOLULU HI RHHMHBA/COMPACFLT PEARL HARBOR HI RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA// RHMFIUU/COMUSJAPAN YOKOTA AB JA//J5/JO21// RUYNAAC/COMNAVFORJAPAN YOKOSUKA JA RUAYJAA/COMPATWING ONE KAMI SEYA JA RUEHNH/AMCONSUL NAHA 9163 RUEHFK/AMCONSUL FUKUOKA 6543 RUEHOK/AMCONSUL OSAKA KOBE 9773 RUEHNAG/AMCONSUL NAGOYA 6479 RUEHKSO/AMCONSUL SAPPORO 7696 RUEHBJ/AMEMBASSY BEIJING 2611 RUEHUL/AMEMBASSY SEOUL 8785 RUCNDT/USMISSION USUN NEW YORK 0576 UNCLAS SECTION 01 OF 10 TOKYO 003052

SIPDIS

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA; WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION; TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE; SECDEF FOR JCS-J-5/JAPAN, DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR; CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: OIIP KMDR KPAO PGOV PINR ECON ELAB JA

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/05/06

Index:

- 1) Top headlines
- Editorials 2)

Prime Minister's weekend schedule: None

US, Japan defense chiefs meet:

- Defense Agency chief Nukaga meets Defense Secretary Rumsfeld in Singapore, is forward looking about expanding ASDF's Iraq flights
- 4) Nukaga, Rumsfeld skirt issue of timetable for GSDF pullout from Iraq
- Rumsfeld to Nukaga: Will Japan really pay is share of USFJ realignment?

China relations:

- Summit between Japan, China being considered, with Japan willing to unfreeze yen loan program now
- 7) Foreign Minister Aso to meet China counterpart in Malaysia
- 8) Aso to tell counterpart about unfreezing of yen loans to China
- Aso in quandary over China policy: does not want to be seen as "weak-kneed" if concedes on Yasukuni issue to improve bilateral ties

Iran problem:

- 10) Government mulling imposing sanctions on Iran if nuclear talks fail
- 11) Japan being held virtual hostage by its national oil project in Iran

Political moves:

- 12) Prime Minister Koizumi reportedly at first favored Diet extension but then changed mind due to "changing situation"
- 13) Minshuto (Democratic Party of Japan) claims to be readying a no-confidence resolution against Koizumi cabinet
- 14) Political hopeful Shinzo Abe negative about his faction running a unified candidate, wants open election
- 15) Abe will not promise anything on Yasukuni issue, wants it out of the presidential race
- 16) Minshuto's Kan calls Abe's dodging of Yasukuni issue "irresponsible"

Articles:

1) TOP HEADLINES

Asahi, Mainichi, Yomiuri, Sankei, and Tokyo Shimbun: Mother of drowned girl arrested over murder of 7-year-old boy in Akita; Admits to charge in outline

Nihon Keizai:

Tokyo District Public Prosecutors Office to arrest Murakami and three Murakami Fund executives today on suspicion of insider trading of Nippon Broadcasting System shares

2) EDITORIALS

Asahi:

- (1) Iranian nuclear issue: Iran must not pass up historic opportunity
- (2) NHK reform: Reform requires more than reducing channels

TOKYO 00003052 002 OF 010

Mainichi:

- (1) Fiscal reconstruction: Take steps ahead of schedule by riding wave of growing tax revenue
- (2) New vaccines: Discussion on priority must be conducted openly

Yomiuri:

- (1) National referendum bill: Limiting legislation to constitutional revision natural
- (2) New energy strategy focuses on security

Nihon Keizai:

- Technology-based NTT reform argument essential (1)
- Oil prices soaring despite growing supply (2)

Sankei:

- (1) Yasukuni issue: Mitarai statement appropriate
- (2) Telecommunications and broadcasting reform: Concrete steps not clear

Tokyo Shimbun:

- (1) NHK reform: Discussion on public nature neglected(2) Growing tax revenue will help pursue fiscal reform
- 3) Nukaga positive about ASDF airlift extension in Iraq

SANKEI (Page 4) (Full) June 4, 2006

SINGAPORE-Defense Agency Director General Fukushiro Nukaga met with US Secretary of Defense Rumsfeld at a Singapore hotel today. In the meeting, Rumsfeld asked Nukaga to extend the scope of Air Self-Defense Force airlift missions from Kuwait to Baghdad. Nukaga took a positive stance, saying, "We'd like to consider it according to the needs."

Nukaga also said he would like to consider when to withdraw Ground Self-Defense Force troops currently deployed in the southern Iraqi city of Samawah by factoring in the political process in Iraq, the development of local security forces, and the deployment of multinational force troops in Samawah. "Japan the deployment of multinational force troops in Samawah.

will coordinate well with the United States, Britain, and Australia," Nukaga added. Rumsfeld asked if Japan could extend the scope of ASDF C-130 transport operations.

Later in the day, Nukaga met with Australian Defense Minister Nelson and British Defense Minister Ingram. Ingram told Nukaga that the southern Iraqi province of Al Muthanna, which includes Samawah, would be on the list of districts for the multinational force to transfer security powers to local authorities in the first place. At the same time, Ingram also showed a cautious stance, insisting that the multinational force should transfer its security powers at the right time and should not try to do so at any inappropriate times. Nelson vowed to continue support for Japan's troop deployment.

4) Nukaga fails to reveal Iraq pullout schedule

NIHON KEIZAI (Page 2) (Full) June 5, 2006

TOKYO 00003052 003 OF 010

SINGAPORE-Defense Agency Director General Fukushiro Nukaga met with the defense chiefs of the United States, Britain, and Australia in Singapore yesterday. Japan has been deploying Ground Self-Defense Force troops in Iraq. Meanwhile, the Japanese government is thinking of beginning to withdraw the GSDF troops after the Japan-US summit scheduled for later this month. However, the local security situation still remains unstable. Tokyo therefore has yet to specify when it will recall the GSDF troops. Multinational force members have also foregone their decisions to pull out and downsize their troop deployment. Japan and other countries are now assuming a wait-and-see attitude.

"We'd like to consider what to do from now on, while taking an overall view of the political process (in Iraq) and the deployment of multinational force troops in Samawah." Nukaga gave this explanation to US Secretary of Defense Rumsfeld in their meeting about the GSDF's assistance with Iraq's reconstruction in that country's southern city of Samawah. Nukaga also told Rumsfeld that Japan would like to coordinate well with the United States, Britain, and Australia about GSDF activities.

Rumsfeld avoided referring to the GSDF's planned withdrawal and only confirmed that the multinational force members would continue to cooperate closely. Meanwhile, Rumsfeld tapped Nukaga for an expanded scope of Air Self-Defense Force airlift missions in Iraq. Nukaga showed a positive stance, saying, "I'd like to consider it according to the needs." Rumsfeld said, "I appreciate it."

Nukaga also met with Australian Defense Minister Nelson and British Defense Minister Ingram. In his meetings with them, Nukaga asked for their views of Iraq under its recently inaugurated permanent government. The multinational force's transfer of its security powers to local security forces is a precondition for Japan to withdraw the GSDF troops. However, the Iraqi cabinet has yet to be fully lined up with the absence of key ministers, such as the interior minister for public security and the defense minister.

"It might be too early to state a final outlook." With this, Ingram showed a cautious view of the local situation. At the same time, Ingram also remarked that the multinational force would not have to hurry up its transfer of powers to local security forces.

In the end, Nukaga failed to hold in-depth discussions with his counterparts on when to pull out or downsize their respective troops. The local political situation still remains unstable. As it stands, none of the multinational force's members wants to be the first to clarify troop pullout since they could be held responsible if and when the local security situation goes from bad to worse. The United States is the core of the international community's assistance with Iraq's reconstruction. Japan, given its relations with the United States, does not want to be the first to pull out, according to one government official.

Nukaga has envisioned the GSDF's simultaneous withdrawal along with British and Australian troops as an "ideal" option for Japan. In Samawah, a convoy of GSDF and Australian military vehicles was targeted in a roadside bomb attack on May 31. There is also a realistic question over whether it is really all right for the multinational force to transfer its security powers to local authorities. A tug of war will likely continue between

TOKYO 00003052 004 OF 010

Japan and other countries for a while.

5) US Defense Secretary bombards Nukaga with questions about Japan's share of US force realignment cost

TOKYO SHIMBUN (Page 2) (Full) June 5, 2006

Singapore, Jiji

In a Japan-US defense summit on June 4, Defense Agency Director-General Fukushiro Nukaga explained that the government's plan for the realignment of US forces in Japan was approved at a cabinet meeting. He also said that the government would take necessary budgetary measures and legal preparations to that end. In response, US Defense Secretary Rumsfeld asked many times whether Japan would be really able to pay for the realignment plans.

In the meeting, Rumsfeld asked "whether Japan is considering special budgetary measures" and "if a special account will be set up for such measures." He also asked if "Japan's defense budget, which accounts for only about 1% of gross domestic product (GDP), is enough to finance the transfer of Okinawa-based Marines to Guam."

Nukaga replied that the current Mid-Term Defense Buildup Plan (Chukibo) (FY2005-2009) does not cover expenses for US force realignment, adding: "We will consider earmarking the expenses under a framework separate from the defense budget. The government is mapping out special legal measures." In conclusion, Nukaga said: "We will make utmost efforts so that we will not give you cause for concern." These words finally worked to relieve Rumsfeld, who replied: "I understand."

6) Japan moving to set stage for Japan-China summit on sidelines of upcoming G8 Summit; Tokyo to lift freeze on yen loans to China shortly

SANKEI (Page 1) (Excerpts) June 4, 2006

The Japanese government yesterday launched an effort to realize a Japan-China summit between Chinese President Hu Jintao and Prime Minister Junichiro Koizumi on the sidelines of the upcoming Group of Eight (G8) Summit in St. Petersburg, Russia, slated for mid-July. The top-level meeting between the two countries, if realized, would be the first in 15 months.

Foreign Minister Taro Aso gave a speech in Fukuoka yesterday, in which he referred to the recent foreign ministerial talks with China and South Korea in Qatar and noted: "The strained relations between Japan and China and between Japan and South Korea are recovering to the point of normalcy."

No summit meeting between Japan and China has taken place since the last one in Indonesia in April 2005, as China has criticized Prime Minister Koizumi's visits to Yasukuni Shrine. But during the recent foreign ministerial between Japan and China in Qatar held after an interval of one year, Aso urged his Chinese counterpart Li Zhaoxing to move to realize a Japan-China summit.

Tokyo's position is that "we are always open to dialogue with

TOKYO 00003052 005 OF 010

China," according to a senior Foreign Ministry official. Because the Japan-US alliance has now been strengthened owing to a final agreement reached between the Japanese and US governments on the realignment of US forces in Japan and other factors, "China is becoming willing to break the impasse in the stalled relations with Japan," the same official said.

7) Foreign Minister Aso to meet Chinese counterpart in Malaysia

YOMIURI (Page 2) (Full) June 5, 2006

Speaking at meeting of the Liberal Democratic Party in Nagasaki City, Foreign Minister Taro Aso commented on his next meeting with China's foreign minister after the one in May, "The next meeting will probably be in Kuala Lumpur." He revealed that coordination with the Chinese side was underway on a plan to hold the talks on the sidelines of a ministerial meeting of the ASEAN Regional Forum in late July.

Aso stated: "It is nonsense to discontinue our dialogue because the two top leaders (Prime Minister Junichiro Koizumi and Chinese President Hu Jintao) will not meet."

8) Foreign Minister Aso considering visit to China in move to remove the freeze on yen loans toward China

NIHON KEIZAI (Page 1) (Excerpts) June 4, 2006

Foreign Minister Taro Aso has begun considering a visit to China after the upcoming Group of Eight (G8) Summit in St. Petersburg slated for mid-July. His China trip, if realized, would be the first since his predecessor, Foreign Minister Nobutaka Machimura, made a visit in May 2005. The government will shortly lift the freeze on yen loans toward China planned for fiscal 2005 in a move to accelerate the efforts to set the stage for him to visit China.

Aso recently met with Chinese Foreign Minister Li Zhaoxing in Qatar, and the two foreign ministers agreed on the need for reciprocal visits between them. Based on this shared view, Japan is considering a plan for Aso to visit China after the G8 Summit. Tokyo, along with its plan to lift the freeze on yen loans toward China, intends to convey Aso's desire to visit China and then to promote preparations for such a visit in concrete terms.

In this regard, Aso referred to the recent Japan-China foreign ministerial talks at a gathering of the Liberal Democratic Party's Fukuoka Chapter on June 3 and pointed out: "It would seem that strained relations between Japan and China and between Japan and South Korea are recovering to the degree of returning (to a normal track)?" He stressed that Japan's ties with the two countries are beginning to move in a favorable direction.

9) Aso in quandary over stance toward Yasukuni issue

TOKYO SHIMBUN (Page 2) (Full) June 5, 2006

Foreign Minister Taro Aso has been in a great quandary over what stance he should take over Prime Minister Junichiro Koizumi's

TOKYO 00003052 006 OF 010

visits to Yasukuni Shrine. In his earlier meeting with his Chinese counterpart, he succeeded in finding a clue to break the impasse in the current strained relations between Japan and China by indicating that he would not visit the shrine if he won the presidential election in September. But if he ends up giving the impression that he has yielded to China's pressure, he might be criticized as weak-kneed.

In the Japan-China foreign ministerial in Qatar, Doha, on May 23, Aso said regarding the possibility of his visit to Yasukuni Shrine: "I will properly make a judgment, based on my own belief and public position," though he had only said before: "I will

properly make a judgment."

Chinese press officer Liu Chien-chao highly evaluated Aso's comment, saying: "Foreign Minister Aso is a necessary and important partner in order to improve and develop ties between China and Japan."

Just after assuming the current post, Aso gave high marks to Prime Minister Koizumi's Yasukuni visits. He had repeatedly made such provocative remarks as: "The more China protests, the more the prime minister will have to visit (Yasukuni Shrine)."

Recently, however, Aso has been eager to find solutions. Regarding Yasukuni enshrining Class-A criminal, about which China has lashed out, he has indicated that the status of Yasukuni Shrine should be reviewed to make it possible to remove such criminals from the shrine, remarking: "The problem lies in the fact that the important matter of honoring the war dead has been entrusted to one religious corporation."

In the LDP presidential race, popularity rates for former Chief Cabinet Secretary Yasuo Fukuda, who is cautious about Yasukuni visits, are remarkably picking up recently, gradually catching up with Chief Cabinet Secretary Shinzo Abe, who takes a cautious stance. Probably keeping this public trend in mind, Aso has begun to take a cautious view.

Aso, though, has openly said that he has frequently visited the shrine since he went there when he was an elementary school student. Aso's recent policy switch might allow hardliners toward China in the LDP to turn away from him.

10) Government considering possibly imposing financial sanctions of Iran if that countries continues nuclear development program

YOMIURI (Page 1) (Excerpts) Evening, June 3, 2006

The government today has begun to consider the possibility of imposing financial sanctions on Iran in the event that it refuses to halt its nuclear development program, including enrichment of uranium, as sought by the permanent members of the United Nations Security Council and other organizations. It is presuming such sanctions as halting the flow of remittances to Iran under the Foreign Exchange and Foreign Trade Law.

Japan has maintained a stance aiming at a diplomatic and peaceful resolution of the Iran nuclear issue. However, because Iranian President Ahmedinejad on June 2 rejected a comprehensive resolution proposed by UNSC members and Germany, the judgment was

TOKYO 00003052 007 OF 010

made, according to senior Foreign Ministry official, "It would not be possible for only Japan to refuse sanctions declared by the United Nations or the coalition of the willing centered on the United States."

In case Japan imposes sanctions on Iran, Iran has threatened to impose countermeasures, including cutting off exports of oil. This would deal a major blow the Japanese economy, which depends on Iran for 15% of its imports. In addition, it is likely that the joint Japan-Iran development of the Azadegan oil field would inevitably halted, as well.

11) Iranian nuclear issue: Japan torn between Iran's oil and US call for sanctions

TOKYO SHIMBUN (Page 2) (Abridged slightly) June 5, 2006

Concern is growing that Japan will face a dilemma between the United States and Iran over Iran's nuclear development. Given a fierce tug-of-war between the United States and Iran over the latter's uranium enrichment program, Japan is certain to come under strong pressure from the two countries.

In a press conference on June 2, Foreign Minister Taro Aso urged Iran to accept a package of incentives compiled by six countries, including the US, and begin talks with them, saying, "If Iran fails to respond to talks, the consequences will be severe."

Prime Minister Junichiro Koizumi held telephone talks with US President George W. Bush late last month. "The president asked for Japan's cooperation regarding the Iranian issue," a Foreign Ministry official revealed. "It means the question of talks (on the Iranian nuclear issue) has now entered the final stage," anther official explained.

Although the US had rejected talks with Iran, it has announced its willingness to join talks with Britain, Germany, and France on the condition that Iran stop its uranium enrichment activities. The US has consequently produced a package of incentives for Iran in collaboration with Britain, France, China, Russia, and Germany.

The US has informally asked Japan if it is possible to impose economic sanctions on Iran under the Foreign Exchange and Foreign Trade Control Law. The law allows Japan to prohibit cash remittances and exports of specific items at its own discretion without an international accord, such as a UN resolution.

The US is considering sanctions by a "coalition of the willing" outside the UN Security Council. A failure in its efforts to drag Iran to the negotiating table is certain to lead to greater pressure on Japan to join the "coalition of the willing."

Japan cannot fall in step with the US so easily because of is unique circumstances.

About 14% of Japan's crude oil comes from Iran. If Iran were to halt oil exports, it would damage the Japanese economy tremendously.

In February 2004, Japan also won exploration rights on the

TOKYO 00003052 008 OF 010

Azadegan oilfield in Iran, which is estimated to have 5-25 billion barrels of oil reserves. There is a danger that Japan's "national oil project" in Iran could be taken hostage.

The National Iranian Oil Company warned Japan in May that it would cancel its contract with Japan if there were no prospects for starting development by this September.

The warning was unmistakably intended to prod Japan not to take joint steps with the US regarding the nuclear issue.

The Iran issue is certain to take center stage in talks between Prime Minister Koizumi and President Bush later this month and at the G-8 St. Petersburg Summit in mid-July. Given growing tensions between the US and Iran, Japan is certain to be torn between oil and relations with the US.

12) Katayama: Prime Minister approved extension of Diet in early May, but changed his mind late last month

MAINICHI (Page 2) (Full) June 5, 2006

It has been learned that Prime Minister Junichiro Koizumi had formerly made a remark that could be taken as approving an extension of the current Diet session but then changed his stance late last month. In a TV discussion program yesterday, House of Councillors Liberal Democratic Party Secretary General Toranosuke Katayama disclosed that Koizumi had made such a remark to the Upper House LDP leadership in early May.

According to Katayama, when Upper House LDP caucus head Mikio Aoki told him on May 8: "We must have a bill amending the Fundamental Law of Education passed (in the current Diet session)," Koizumi replied: "I think so. Let's discuss the matter at the last moment." Upper House LDP caucus members had believed

that the length of extension would be discussed in the final phase of the session, taking the prime minister's repeated remarks as part of his "feint operation."

The prime minister, however, clearly told Katayama on May 30: "I do not want to extend the session." Katayama claimed: "You told Mr. Aoki that you would discuss with Mr. Aoki an extension of the session at the last moment," but the prime minister just replied: "The situation has changed."

Seeing the prime minister's "about-face," some LDP members speculate that the recent surge in support ratings for former Chief Cabinet Secretary Yasuo Fukuda in the run-up to the LDP presidential race might have prompted the prime minister to decide to swiftly end the current Diet session so that Chief Cabinet Secretary Shinzo Abe, an incumbent cabinet minister, would find it easier to prepare his presidential election campaign.

13) Minshuto to consider submission of no-confidence motion against the Cabinet

YOMIURI (Page 2) (Full) June 5, 2006

Naoto Kan, acting president of the main opposition party,

TOKYO 00003052 009 OF 010

Minshuto (Democratic Party of Japan), revealed in a press conference yesterday afternoon in Sapporo City that his party would consider submitting a no-confidence motion against the Cabinet, stating, "Whether to submit a no-confidence motion is our party's major strategy for management of the Diet. Time to discuss the matter will soon come naturally."

14) Abe negative about Mori faction's fielding only one candidate for LDP presidential race

ASAHI (Page 2) (Full) June 5, 2006

When asked about the possible candidacies of both Chief Cabinet Secretary Shinzo Abe and former Chief Cabinet Secretary Yasuo

SIPDIS

Fukuda for September's presidential race of the Liberal Democratic Party, Abe said on television programs, including NHK and TV Asahi talk shows:

"I think it will be difficult for two members of the group to compete. There should be an open campaign involving the entire party. The party president should not be chosen by a backroom deal as the party did in the past."

He expressed his view negative about the idea of the faction fielding only one candidate.

Asked whether he would raise the consumption tax rate when he assumed the prime minister post, Abe responded:

- "If a tax hike is needed for finance reconstruction, I will do so without fail. However, before doing so, I will adopt an economic growth strategy, while implementing spending reform.

 Consideration also will be given to the economic situation."
- 15) Abe not include Yasukuni issue in campaign pledges for LDP presidential race to avert hot debate among contenders

TOKYO SHIMBUN (Page 1) (Excerpts) June 4, 2006

Chief Cabinet Secretary Shinzo Abe decided on June 3 not to incorporate in his set of campaign pledges for the election campaign in September for Liberal Democratic Party (LDP) president the question of whether he would visit the controversial Yasukuni Shrine should be become the LDP president

and thus the next prime minister. Abe has paid his respects at the Shinto shrine every August 15, the anniversary of Japan's surrender in World War II, before he assumed the chief cabinet secretary post last fall. He is positive about continuing to pay

SIPDIS

homage at the shrine. However, he seems to have determined that if he refers to the shrine issue in the campaign pledges, it would become a hot issue in the race, leading to further deterioration of Japan's relations with China and South Korea.

Abe intends to formally announce his candidacy after the mid-July Group of Eight summit in St. Petersburg. In an attempt to narrow the income gap in sociey that has widened because of the reform drive by Prime Minister Junichiro Koizumi, he is now drafting an administrative vision that would help jobless, part-time workers and entrepreneurs.

TOKYO 00003052 010 OF 010

16) Minshuto Acting President Kan criticizes Abe as "being irresponsible" for sidestepping Yasukuni issue

ASAHI (Page 2) (Full) June 5, 2006

Democratic Party of Japan (Minshuto) Acting President Naoto Kan held a news briefing in Sapporo yesterday, in which he brought up Chief Cabinet Secretary Abe's statement regarding whether to visit Yasukuni Shrine -- "It is not a matter for me to say this or that in connection with the party presidential race" -- and criticized his attitude, saying: "Prime Minister Koizumi made that question an issue in the presidential race. Mr. Abe is irresponsible as a politician because he, while courting the prime minister, has asserted that question should not be made an issue in the race."

Speaking of the issue of visits to Yasukuni Shrine, Kan remarked, "Prime Minister Koizumi unnecessarily made this an issue; as a result, it has become a major problem during the past five years." "If what Mr. Koizumi has done in the past is wrong, he (Abe) should say so clearly," Kan added.

SCHIEFFER